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News Release

FOR IMMEDIATE RELEASE
Friday, February 5, 2010
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2 sentenced for orchestrating residential real estate loan scam

The second of two men from the Twin Cities was sentenced today in federal court in connection with a real estate loan scam aimed at defrauding Associated Bank. In Minneapolis, United States District Court Judge Joan Ericksen sentenced Eric R. Krahnke, age 52, of Andover, to 37 months in prison. On February 3, 2010, Judge Ericksen sentenced Michael I. Striker, age 56, of Minnetonka, to 41 months in prison. The men were indicted on August 19, 2008; and in August 2009, both pled guilty to one count of bank fraud and one count of money laundering in connection to their crimes.

In their plea agreements, Krahnke and Striker admitted that between March 2003 and October 2003, they executed a scheme to defraud Associated Bank out of money. To carry out the scheme, Krahnke, who worked as a loan officer at Associated Bank, bypassed the normal loan-approval channels to get 21 real estate loans approved for Striker, either directly or through Striker's real estate company, U.S. Equities of Minnesota. For his part, Striker submitted false and misleading information in applying for the loans, including overstating his financial condition or that of U.S. Equities of Minnesota.

As a result of these actions, Associated Bank disbursed more than \$4 million in connection to the loans, with Striker receiving at real estate closings in excess of \$724,000 in net loan proceeds. Krahnke, on the other hand, received commissions from Associated Bank for originating the loans. In addition, however, he received from Striker 3 percent of the net proceeds relative to each loan.

In the loan documents, the payments from Striker to Krahnke were described as "broker fees," and they were paid through Worldwide Mortgage, a mortgage brokerage company Krahnke owned. Striker made the payments, which totaled over \$100,000, even though Worldwide Mortgage did not broker any of the loans. Admittedly, Krahnke never advised his

employer, Associated Bank, of the money he received from Striker or his continued ownership interest in Worldwide Mortgage, which he knew was a conflict of interest given his position at the bank.

Following today's sentencings, Julio LaRosa, Special Agent in Charge of the St. Paul field office of the IRS-Criminal Investigation Division, said, "These schemes need to be exposed to stop the cascading negative affect this type of fraud has on our economy and the innocent parties involved. These sentences send the message that mortgage industry fraudsters will not go unpunished."

Although the loans at the heart of this case were purportedly for construction rehab projects, Striker admitted he used some loan proceeds for unrelated expenses and debts. Furthermore, many of the properties subject to the loans were not rehab properties at all. Rather, they were homes in which financially distressed families still resided.

The defendants in this case also admitted that during the course of their scheme, they made illegal monetary transactions. Specifically, on October 24, 2003, Krahne executed a telephone transfer of \$17,943 from a Worldwide Mortgage account at Central Bank to a personal account at the same bank. For his part, Striker, on September 3, 2003, issued a check in the amount of \$13,000 from a U.S. Equities account at Bremer Bank to "River Run Properties." The defendants admittedly knew the funds subject to those transactions were criminally derived.

This case was the result of an investigation by the Internal Revenue Service-Criminal Investigation Division and the Federal Bureau of Investigation. It was prosecuted by Assistant U.S. Attorneys William J. Otteson and John F. Docherty.